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TAGS: OVIP (KISSINGER, H. A.)

SUBJECT: TRAVELING PRESS NEWSPAPER REPORT, NOVEMBER 3

FOR AMBASSADOR ANDERSON FROM S/PRS

NO. 28

SUMMARY: SHAH, HAK PRESS CONFERENCES GIVEN PROMINENT COVERAGE BY TIMES, POST, STAR-NEWS (OTHER PAPERS UNAVAILABLE). ALL FEATURE SHAH'S PROPOSAL FOR SINGLE POSTED PRICE, HAK'S NON-ENDORSEMENT OF PROPOSAL, LIKELIHOOD OF NO DECREASE IN OIL PRICES, AND SHAH'S ASSERTIONS DECREASE WILL COME ONLY WHEN OIL COMPANY PROFITS ARE LIMITED. ON MIDDLE EAST STAR-NEWS AND POST REPORT SHAH'S STATEMENT THAT HE PERSONALLY FAVORED RECONVENING GENEVA CONFERENCE. END SUMMARY

1. WASH STAR-NEWS, O'LEARY, P. 10, WITH PHOTO OF SHAH GREETING HAK, HEADLINES "SHAH OF IRAN TO PRESS FOR OIL PRICE CUT." O'LEARY LEADS WITH SHAH'S DISCLOSURE THAT HE WILL ASK OPEC NATIONS TO ADOPT "SINGLE OIL PRICING SYSTEM KNOCKING DOWN POSTED PRICES BY SOME 14 PERCENT." REDUC-
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TION, SHAH SAID, COULD LEAD TO LOWER GASOLINE PRICES IN

U.S. UNLESS INFLATIONARY PRESSURES ARE UNCHECKED AND OIL COMPANY PROFITS REMAIN UNCONTROLLED. "WHY SHOULD THEY (OIL COMPANIES) MAKE TWO DOLLARS A BARREL, OR 700 PERCENT (INSTEAD OF 50 CENTS)?" O'LEARY SAYS IT APPEARED SHAH

LISTENED SYMPATHETICALLY TO HAK'S "PLEAS TO CHECK INFLATION" SINCE AT HIS PRESS CONFERENCE, SHAH STATED, "IF THE WORLD COLLAPSES, WE SHOULD COLLAPSE WITH IT." O'LEARY NOTED SHAH'S SINGLE PRICING PROPOSAL WILL BE MADE AT OPEC MEETING IN VIENNA NEXT MONTH. QUOTES SHAH: "IF THE PRICE IS FIXED NO ONE COULD MANIPULATE IT.... WE WANT TO HOLD OUR PURCHASING POWER IN THE FACE OF INFLATION BECAUSE WE HAVE BEEN CHEATED SO OFTEN IN THE PAST."

ON INDIAN OCEAN, O'LEARY SAYS SHAH UTTERED NO OBJECTION TO U. S. EXPANSION OF DIEGO GARCIA IN LIGHT OF PRESENCE OF SOVIET VESSELS IN INDIAN OCEAN, BUT INDICATED PREFERENCE FOR NAVAL VESSELS OF NEITHER TO BE THERE. CITES SHAH SAYING IRAN WILL CONTINUE ITS "PEACEKEEPING" ROLE IN PERSIAN GULF AND INDIAN OCEAN. SAYS SHAH SAID HE AND HAK DISCUSSED "TENSION" AND SHAH "APPLAUDED U. S. EFFORTS TO FIND A MEANS FOR PEACE THERE." SHAH "SAID HE PERSONALLY FAVORED EARLY RECONVENING OF THE GENEVA PEACE CONFERENCE AS THE NEXT STEP." O'LEARY SAYS HAK IS KNOWN TO REGARD GENEVA ROUTE "AS LESS THAN DESIRABLE SINCE IT AUTOMATICALLY INVOLVES THE SOVIET UNION IN NEGOTIATIONS THAT ARE ALMOST ENTIRELY IN U.S. HANDS NOW."

O'LEARY REPORTS ON JOINT COMMUNIQUE (AND STAR-NEWS ACCOMPANIES O'LEARY ARTICLE WITH COMPLETE TEXT OF COMMUNIQUE); ALSO HAK'S ANNOUNCEMENT OF AGREEMENT TO FORM JOINT COMMISSION; AND FLIGHT TO ISFAHAN AND PLANS TO VISIT SHIRAZ.

2. NYTIMES, P. 1, JAMES CLARITY NOT GWERTZMAN, ABOVE FOLD WITH SAME PHOTO AS STAR-NEWS, HEADLINES "SHAH AND KISSINGER HINT AT BID TO CURB OIL PRICES." CLARITY LEADS SHAH AND HAK AGREED THAT PRODUCERS AND INDUSTRIALIZED CONSUMERS "MUST COOPERATE TO PREVENT WORLD DISORDER STEMMING FROM INFLATION." FOLLOWS THAT THE TWO DISCUSSED OIL PRICES FOR MORE THAN FOUR HOURS AND "HINTED THAT IRAN WOULD SEEK TO UNCLASSIFIED

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KEEP PRICES FROM RISING AGAIN" AT NEXT MONTH'S OPEC MEETING. NOTES THAT NEITHER SHAH NOR HAK "INDICATED HOW PRICES MIGHT BE KEPT AT PRESENT LEVELS" AND SAYS NEITHER "OFFERED ANY HOPE THAT OIL PRICES WOULD BE REDUCED BY PRODUCER NATIONS IN THE FORESEEABLE FUTURE." SAYS SHAH SAID HE DID NOT EXPECT PRODUCERS TO REDUCE THE PRICE THEY RECEIVE FROM THE OIL COMPANIES- CLARITY STATES BOTH TRIED TO EMPHASIZE CONTINUED SEARCH FOR SOLUTION TO CRISIS "THE ONLY MAJOR

ISSUE ON WHICH THE U. S. AND IRAN DISAGREE."

CLARITY SAYS HAK/SHAH TALKS APPARENTLY PRODUCED NO SURPRISING OR DRAMATIC PROPOSALS. NOTES THAT BOTH AGREED THAT CONTINUATION OF THE CRISIS COULD SEVERELY HURT PRODUCERS AND CONSUMERS ALIKE. SAYS THAT AT THEIR SEPARATE

PRESS CONFERENCES THE TWO "SOUGHT TO EMPHASIZE PROSPECTS FOR PROGRESS, BUT APPEARED TO BE IN DISAGREEMENT ON ONE OF THE SHAH'S FAVORITE PLANS"--INDEXING OIL PRICE TO PRICES OF INDUSTRIALIZED NATIONS' COMMODITY EXPORTS. SAYS HAK SAID HE LEFT TALKS WITH SHAH "WITH 'SOME ENCOURAGEMENT THAT EVOLUTION IN A CONSTRUCTIVE DIRECTION WAS POSSIBLE.' BUT HE DECLINED TO ENDORSE THE SHAH'S INDEXING PROPOSAL." STATES HAK DECLINED TO DISCUSS SPECIFICS OF INDEXING PLAN BUT QUOTES HAK: "OBVIOUSLY IT IS IN NEITHER SIDE'S INTEREST TO BUILD AN INSTITUTIONALIZED SYSTEM THAT ACCENTUATES THE TENDENCIES" TOWARD INFLATION.

3. WASHPOST, P. 1 ABOVE FOLD, MARDER, HEADLINES "KISSINGER: OIL PRICE CUT NOT GOAL NOW." LEADS HAK "ADMITTED" THAT U.S. NOW SEEKING HALT NEW OIL PRICE INCREASE RATHER THAN NEGOTIATE LOWER PRICES. MENTIONS USG HAD CAMPAIGNED THIS FALL TO GET OPEC TO REDUCE PRICES, BUT HAK TOLD NEWS CONFERENCE IN TEHRAN: "BEFORE YOU HAVE LOWER PRICES, YOU HAVE TO HAVE STABLE PRICES." MARDER NOTES CONTRAST WITH HAK'S OCTOBER TRIP TO ME WHEN HAK "ENCOURAGED HOPES THAT EXISTING OIL PRICES COULD BE CUT WITH SUPPORT FROM SAUDI ARABIA." SAYS SHAH "HELD OUT NO PROSPECT FOR AVOIDING FURTHER OIL PRICE INCREASES" UNLESS OIL COMPANIES CUT THEIR PROFITS. "IRAN INTENDS TO MAINTAIN THE REAL INCOME IT NOW RECEIVES IN OIL IN RELATION TO THE PRICES OF OTHER WORLD COMMODITIES, SHAH APPARENTLY TOLD NEWSMEN. MARDER SAYS BEST HAK WOULD UNCLASSIFIED

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SAY ABOUT SHAH'S SINGLE PRICE PROPOSAL WAS: "WE ARE NOT IN PRINCIPLE OPPOSED TO THE IDEA OF A FIXED PRICE, BUT WE ARE STUDYING IT FURTHER." SAYS SHAH MADE CLEAR HIS PROPOSAL WOULD MAINTAIN NOT REDUCE INCOME OF OIL PRODUCERS. THEREFORE, PRICE OF GASOLINE COULD COME DOWN ONLY IF OIL COMPANIES' PROFITS ARE REDUCED, A MATTER FOR OTHERS (NOT IRAN) TO ENFORCE. MARDER STATES NEITHER SIDE SOUGHT TO ACCENTUATE POLICY DIFFERENCES AND REPORTS SIGNING OF JOINT COMMISSION AGREEMENT AND HAK'S ANNOUNCEMENT THAT CONTRACTS TO BE SIGNED FOR U. S. TO PROVIDE FUEL TO SIX MORE IRANIAN NUCLEAR POWER REACTORS.

MARDER REPORTS HAK SAID HE WILL PROBABLY GO TO ME "NEXT WEEK". SAYS SHAH "SURPRISED THE VISITING U. S. DELEGATION BY SAYING THAT HE IS INCLINED TO SUPPORT A RESUMPTION OF"

GENEVA CONFERENCE ON ME. WHILE, ON OTHER HAND, HAK "IS
SEEKING TO PRESERVE INDIVIDUAL NEGOTIATIONS WITH ISRAEL
AND WITH EACH OF THE ARAB STATES CONCERNED." MARDER SAYS
U.S. OFFICIALS "MAINTAINED" GENEVA WAS NOT EVEN DISCUSSED
IN HAK-SHAH TALKS, AND U.S. OFFICIALS "MINIMIZED IT".
MARDER NOTES HAK SAID IN ADVANCE HE WAS EAGER TO HEAR BHAK'S
VIEWS ON ME. INGERSOLL

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